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DIRECTOR BRENDAN BEATTY

To: Revenue Interim Committee
From: Department of Revenue, Property Assessment Division
Date: May 09, 2024
Subject: RIC Exempt Property Review – Request for Information

Thank you for the discussion and questions regarding potential draft legislation for the periodic review of certain exempt property. Please see the department's response to the committee's questions following the March Revenue Interim Committee meeting.

Q: How much would it cost DOR to implement an 8 year process to review all property and would it require additional FTE?

A: The department believes that with an 8-year window we would be able to take a staggered approach to the reapplication process and be able to review all exempt entities within this timeframe with a request for one additional FTE. There would also be minimal increases in our annual mailing costs and development of an online application form.

Q: Can you also provide time frames for some longer time periods?

A: The department believes that an 8-year window is enough time for us to complete the review process for all exempt entities. Maintaining a shorter time frame will help us stay more current with contact information for the various exempt organizations which should help alleviate one of the major issues encountered during the HB 389 reapplication process from the 2015 legislative session. While increasing the time frame for review would reduce the number of reapplications requested and processed each year, it wouldn't be substantial enough to alter our need for one additional FTE.

Q: Could you use a process similar to the one for business personal property in which the owner receives information about the exempt property and must attest to its accuracy?

A: The departments plan would be to develop a simplified form and requirements for the reapplication process. This would vary slightly by type of exemption but be similar to the process currently utilized for business personal property reporting. The property owner would complete a simple questionnaire and be asked to provide minimal supporting documentation.

Q: If so, how would this change the cost/FTE and recommendations about the review period?

A: The one additional FTE requested was estimated assuming a simplified reapplication process, so there would be no change to the cost/FTE estimate from above. If a full application and review process was required, as is the case with first time applicants, our cost/FTE estimates would increase significantly.

Q: This was discussed assuming the use of TAP. Can you discuss whether you think you could reach all entities there or would you also have to do supplementary mailings?

A: TAP is primarily used for tax types other than property. We would develop an online reporting system through our new platform SmartFile which directly interfaces with our CAMA system. Having people submit the simplified application through SmartFile would increase the efficiency with processing applications and is already an assumption incorporated in the cost/FTE estimate from above. This would not eliminate the need for supplementary mailings, but the cost associated with these supplemental mailings annually would be minimal.

Q: Would reporting to counties on exempt properties help with the review process because the counties might have additional details?

A: The department doesn't believe reporting this information to the counties would help with the review process. We already send a letter to the counties whenever we grant a new exemption as notification and information pertaining to all exempt properties is currently available to the counties on our website. The beneficial use bill draft requiring them to report any beneficial use occurring in property that they own would be the biggest benefit and help to the department.

Q: Do you or could you match realty transfer certificates to exempt properties to assist in identifying property that may need to be reviewed?

A: This is already a part of our business process and built into our quality assurance reviews. Anytime we receive an RTC indicating that a change in ownership of an exempt property has occurred we send the new property owner a letter informing them that the exemption for the property will be removed. It explains that if the new owner believes that they would still qualify for property tax exemption, a new application is required.

We hope that this additional information has answered the questions the committee had following the last meeting and look forward to continuing discussions and answering any additional questions at the May meeting.